

Digital workplace solutions can simultaneously improve day-to-day task compliance, streamline communication, and build knowledge quickly, collectively improving retailers' ability to meet today's operational and financial challenges.

Retail Rebound and the Future of the Store

June 2021

Written by: Jon Duke, Research Vice President, IDC Retail Insights

Introduction

The scale and complexity of modern retail are evident across the organization, from the corporate office, to warehouse and distribution centers, to field associates. Perhaps no one else in the organization experiences this complexity, day in and day out, more than store teams. Frontline teams not only are the face of the company to the customer but also sit at the convergence of products, processes, technology, and customer experience — a role that has grown significantly more complex as digital transformation and disruption have altered business models across the industry. The global pandemic has further catalyzed this change, driving additional complexity.

Industry Trends and Impact of COVID

The retail industry has been significantly impacted by the global pandemic since its onset in spring 2020. The ensuing challenges — including forced store closures, managing uneven demand surges, capacity reductions, and operational health and safety constraints — have been both widespread and widely documented. Less widely discussed are the ways in which the industry has been permanently changed as a result. Many of the changes that impacted consumer behavior and retail operations will continue to shape the industry well beyond the return to normal.

Store labor is one example of this. Many retailers had to furlough or lay off frontline employees during the pandemic. The workforce largely moved on — some to other retailers that remained open and in need of additional labor, some to vendors, and others to different careers altogether. As hiring ramps up again, refilling roles that were vacated or eliminated due to the pandemic means that retailers are increasing the number of less experienced associates in their stores. Many retailers in essential segments (e.g., grocery and drug stores) and nonessential segments (e.g., general merchandise) raised wages not only to retain and thank existing employees but also to incentivize new hires as retailers grew their overall workforce to cope with increased demand and operational or logistical challenges. Despite revenue benefits from higher demand, these retailers also experienced higher operational and product costs.

AT A GLANCE

WHAT'S IMPORTANT

- » Customer shopping behavior has shifted — omni-channel experience is entrenched.
- » Retail operations have become increasingly complex as omni-channel processes are now table stakes.
- » Store labor is less experienced, lower skilled, and more expensive today because of workforce shifts during the pandemic.
- » Digital workplaces can streamline store execution, improve communication, and enhance associate training.

Aside from changes in the workforce, customer shopping behaviors and expectations of in-store experience also shifted. Consumers moved rapidly and decisively online during the pandemic, with shoppers estimating that close to 75% of their retail spending occurred online over the course of the year versus less than 40% pre-pandemic (IDC Retail Insights' *Retail Consumer Insights Survey*, September 2020). While shoppers expect to revert to more in-store spending as conditions improve, compelling ecommerce and omni-channel experiences are the new table stakes expected by consumers.

Beyond shifts in channels, consumers also have strong expectations around omni-channel experiences such as "return anywhere" options; buy online, pick up in store (BOPIS); curbside pickup; and inventory visibility. In fact, roughly 60% of U.S. shoppers said that they would choose not to buy from a retailer that lacked a BOPIS option, and about 50% of shoppers would shop somewhere else if the store didn't have a return anywhere option, curbside pickup, or online inventory visibility (IDC Retail Insights' *Retail Consumer Insights Survey*, September 2020). With shoppers consolidating trips to stores and the number of items they purchase, the cost of failure is increasing and consumers have spoken clearly about the omni-channel experiences they demand.

Critical Operational and Execution Challenges to Supporting Modern Retail

As shoppers return to stores, retail spending is rising as are the competitive challenges faced by retailers. Some of these challenges are familiar and were part of the pre-pandemic world: In-store experience still matters to customers, for instance, and good experiences drive loyalty among consumers. For many retailers, the role of the store has shifted toward an experience-driven flagship, where customers are immersed in the brand image and expect well-trained, highly knowledgeable employees who can help guide their purchase journey with product advice and information. In-store experiences are central.

Consider the footwear and apparel space, where services like customization labs and fit shops are growing more prevalent. Athletic brands and sporting goods retailers offer services such as run gait analysis, indoor driving ranges and batting cages, and in-store exercise classes. The beauty segment offers in-store salon services and makeup application, among other benefits. The "grocerant" concept — restaurants that live within the grocery store footprint — was gaining popularity prior to the pandemic and is now expected to expand in a wide set of stores once more. Other services concepts such as cooking classes, outdoor experiences, equipment rental, and installation service are becoming similarly ubiquitous.

Regardless of segment, strong in-store experience can drive customer loyalty by creating more opportunities for customers to engage with the store and can represent new lines of business that drive incremental revenue and traffic, improve customer experience, and complement product assortment to provide more ways to solve customers' daily challenges. For shoppers, outstanding customer experiences driven by differentiated in-store services are a critical driver of loyalty.

The renewed focus on in-store experience and shifting expectations of omni-channel operations add tasks, time, and complexity to retailers' processes. This means added pressure on a less experienced frontline workforce that is already stretched thin and being asked to do more with fewer resources. But even beyond these challenges, the financial pressures facing retailers are mounting. Increasing labor and product costs create added margin pressure. Retailers in essential segments that largely saw growth in demand also felt the added constraints of operational health and safety procedures; growth in new, untrained associates; and demand surges and capacity constraints, all of which increased operational costs alongside increasing revenue.

On the other hand, retailers in nonessential segments such as footwear and apparel have faced challenging financial conditions over the past year, with declining demand, store and mall closures, and an excess of unsold inventory. Regardless of segment, retailers are facing pressure to reduce costs and improve productivity across the board, and store labor is an obvious target.

In the face of these changing customer expectations and human and financial constraints, consistent and efficient execution, streamlined communication, and improved associate learning are critical to store operations. But achieving these goals through manual processes or in disconnected channels across disparate systems and teams is both inefficient and ineffective. Without closed-loop, two-way communication over a single channel, retailers lose critical information and essential operational tasks are either missed altogether or lack proper accountability and feedback.

The complexity and scale of retail, combined with high turnover and less experienced workforce, in addition to financial pressures weighing on organizations throughout the industry, require a modern solution. To solve these complex challenges, retailers can turn to digital workplace solutions to improve day-to-day execution, deliver streamlined two-way communication, and create an integrated learning platform for frontline associates.

Overcoming Modern Retail Challenges with a Digital Workplace

Mobile-first digital workplace platforms provide real-time visibility into store execution and compliance across roles and locations. All-in-one solutions that provide insights at scale enable artificial intelligence (AI)-based predictions of sales growth and inhibitors or opportunities, which then can seamlessly feed back into recommended actions and tasks, closing the loop from insights to execution. Moreover, combined task management, communication, and training allow retailers to deliver a smoother onboarding process for new associates and seamless reskilling/upskilling for all frontline associates regardless of role.

Perhaps more importantly, digital workplace platforms drive not only accuracy in operational execution but also efficiency, meaning retailers can simultaneously improve the customer experience while reducing overheads and increasing productivity. In short, they offer the following benefits:

- » Drive coordination and consistency of execution
- » Improve customer experience in store and beyond
- » Increase employee productivity
- » Improve sales conversion
- » Reduce costs from both training and improved compliance
- » Drive the overall brand/customer experience

Considerations

Retailers considering investing in digital workplace solutions for their frontline associates should take into account the following:

- » **Speed to implementation.** Does the solution require deep integration with other systems that impact the implementation time, or are there solutions that facilitate a faster rollout?
- » **Organizational buy-in.** What current processes will need to change, and what current roles (corporate and field) are impacted by those processes? Those stakeholders should be included early in discussions to understand the scope of change needed and improve buy-in from associates.
- » **An all-in-one comprehensive task, communication, learning, and insight platform versus a standalone store communication or task management solution.** The all-in-one capability can create a strong culture of continuous improvement and transparency, driving compliance, productivity, and learning.
- » **Solutions with AI-driven analytics capabilities.** These have the power of predictive insights and prescriptive recommendations, further improving performance and streamlining the process for uncovering store-level opportunities.
- » **Integration with the current stack.** What critical systems are essential for integration — namely existing workforce management solutions and retail analytics software?

Conclusion

The retail industry has been forever changed by the global events of 2020 and 2021, with the pandemic acting as a powerful catalyst for transformation. Trends around ecommerce, omni-channel, and customer experience differentiation have accelerated. Employee turnover and new hiring rates — already high in the industry — have increased even further as retail segments face varying challenges. The good news for retailers is that the customer has now clearly spoken. Where once there was uncertainty around the need for key investments and transformation in these areas, now there is clarity, allowing retailers to invest with confidence. The challenge is that these areas of transformation increase operational complexity at a time when the workforce is less experienced and the need for improvements in cost and productivity is high.

Digital workplace solutions for store associates offer a path to improve day-to-day task compliance, streamline communication across locations and associates, and build associate knowledge and skills quickly and efficiently to simultaneously tackle these integrated challenges.

About the Analyst



Jon Duke, Research Vice President, IDC Retail Insights

Jon leads the Intelligent Product Merchandising and Marketing Strategies practice and is responsible for delivering IDC Retail Insights' authoritative perspective on how retailers can leverage technology solutions to achieve key operational, tactical, and strategic objectives across the merchandising and marketing functions. Jon provides global, fact-based, retailer-driven research and analysis that IT buyers and merchant users can use to gain advantage.



The content in this paper was adapted from existing IDC research published on www.idc.com.

This publication was produced by IDC Custom Solutions. The opinion, analysis, and research results presented herein are drawn from more detailed research and analysis independently conducted and published by IDC, unless specific vendor sponsorship is noted. IDC Custom Solutions makes IDC content available in a wide range of formats for distribution by various companies. A license to distribute IDC content does not imply endorsement of or opinion about the licensee.

External Publication of IDC Information and Data — Any IDC information that is to be used in advertising, press releases, or promotional materials requires prior written approval from the appropriate IDC Vice President or Country Manager. A draft of the proposed document should accompany any such request. IDC reserves the right to deny approval of external usage for any reason.

Copyright 2021 IDC. Reproduction without written permission is completely forbidden.

IDC Research, Inc.
140 Kendrick Street
Building B
Needham, MA 02494, USA
T 508.872.8200
F 508.935.4015
Twitter @IDC
idc-insights-community.com
www.idc.com